

25X1A

CONFIDENTIAL

REPORT NO. [REDACTED]

25X1A

COUNTRY	Czechoslovakia	DATE DISTR.	23 Dec. 1953
SUBJECT	Relation of Import-Export Trade Monopolies to Domestic Consumers and Suppliers	NO. OF PAGES	3
DATE OF INFORMATION	[REDACTED]	REFERENCES:	
PLACE ACQUIRED	[REDACTED]	25X1A	

THIS IS UNEVALUATED INFORMATION

25X1X

1. In conformity with the decree of August 1948 establishing import-export trade monopolies in Czechoslovakia, no Czechoslovak consumer of imported goods or producer of exported goods was allowed to have any sort of trade connections abroad. For the Czechoslovak consumer and producer, the import-export monopolies were the sole suppliers of foreign goods and the sole purchasers for foreign trade. For the foreign purchaser and producer, the Czechoslovak import-export monopolies were the sole suppliers of Czechoslovak goods and their only Czechoslovak customers. The only direct contact of Czechoslovak consumers and producers with foreign trade representatives was when one of the Czechoslovak trade monopolies specifically asked for assistance concerning technical or quality details, but even in such cases the specialist acted as a representative of the monopoly in question and not as a representative of his firm. The Czechoslovak firms were not kept informed about foreign market conditions.
2. Unlike the national corporations, import-export monopolies were not organized as profit-making enterprises. All losses by the monopolies were made up by the Ministry of Finance, which kept separate accounts for each trade monopoly and a general accounting of all foreign trade. The monopoly did, however, have to fulfill all of the conditions of its contracts with Czechoslovak producers and consumers. If a monopoly failed to meet conditions either of delivery terms or of quality terms stated in a contract, it had to pay a monetary penalty, by way of default, to the other member of the contract. Paying these penalties raised certain difficulties, as it was not possible to include penalty costs in the monopoly's yearly financial plan. Each cause for penalty (default on contract) was investigated by the control sections of the monopoly in question and of the Ministry for Foreign Trade, and by the Ministry of State Control.

CONFIDENTIAL

CONFIDENTIAL

25X1A

-2-

3. The trade contracts concluded between the Czechoslovak trade monopolies and their domestic consumers and suppliers had no direct connection with contracts between the monopolies and foreign purchasers and suppliers. The domestic contracts were usually concluded at the beginning of each year and fixed the prices and delivery terms for the goods which were to be delivered throughout the year. These prices did not vary according to the actual price paid or received by the trade monopoly to or from the foreign firm, as these variations could not be taken into consideration within the planned economy. The Czechoslovak industrial enterprises always had to have a basis for calculation which would not be upset by fluctuation of prices on the foreign market. In fact, the price paid to the Czechoslovak producer of goods for export was usually higher than the price which the trade monopoly would receive for the goods on the Western market, while the price paid to the foreign supplier for goods to be imported was usually higher than the price which the trade monopoly received from its domestic customers. Trade between Czechoslovakia and the other Eastern Bloc countries was not so frequently a deficit transaction, as the goods were exported or imported at prices agreed on at the beginning of every year and the prices in Communist countries did not fluctuate so much as prices fluctuated in the West. Under such a situation it is perfectly clear that the financial statements of the Czechoslovak industrial enterprises did not give a true picture of their financial position; neither the prices for raw materials imported nor the prices received on products exported, as calculated by the enterprises, corresponded to the actual prices paid or received abroad.

4. The domestic purchase and selling prices of Chemapol AS were set up in the autumn of 1948. The prices were based on the average of the prices actually paid or received during 1947 and the first half of 1948. With few exceptions, these prices still held as of 1952. Chemapol's prices for goods imported for the chemical industry did not vary for consumers in different parts of the country, as the prices were fixed by reference to an average of foreign prices plus an average of transportation costs, but when Chemapol was importing a type of goods for customers outside of the chemical industry as well as for customers within the chemical industry, Chemapol had to set its price for each customer separately on the basis of its particular foreign source and the particular transportation costs. This price was set, however, at the beginning of each planned year. This distinction between import prices for goods imported for the chemical industry alone and for goods imported both for the chemical industry and for other industries was a result of the fact that Chemapol had been created from the Commercial Department of the Czechoslovak Chemical Enterprises National Corporation, where it had been possible to dictate standard prices 25X1X to the chemical industry but not to other parts of the economy.

25X1X

5. Prices were not fixed for those items which were imported or exported irregularly in small quantities. Prices for such items usually conformed to the price actually paid or received. (The import price, in such a case, would be the price paid for the goods, plus the cost of transportation, franco railroad freight car, destination factory, plus three percent for the trade monopoly). Some examples of standard prices follow:

a. Chemapol's domestic sales price for pyrite of 48% sulphur content was 1,060 crowns per ton dry weight, franco railroad freight car, destination station. (This price was still valid in the plan for 1953). In 1951 the purchase price of such pyrite abroad was 900 crowns per ton, c.i.f. Hamburg or Stettin, and the charges for taxes, transloading, and transport to the factory were about 300 crowns per ton.

CONFIDENTIAL

CONFIDENTIAL

25X1A

-3-

b. Chemapol's domestic sales price for Italian sulphur lumps was 3,135 crowns per ton, franco railroad freight car, destination station. (This price was still valid in the plan for 1953). In 1951 the purchase price abroad was 4,500 crowns per ton, franco railroad freight car, Tarvisio on the Italian-Austrian border, and the cost for transport to the plant in Czechoslovakia was 455 crowns per ton. Under these conditions, 4,990 tn. of sulphur were imported into Czechoslovakia in 1951, and about the same quantity under approximately the same conditions was imported in 1952.

c. First quality charcoal was purchased by Chemapol for export at 242.40 crowns, franco railroad freight car, Czechoslovak border station, and sold to firms in Switzerland for 178 crowns, franco railroad freight car, Czechoslovak border station.

25X1A

/For import trade practices of these monopolies

CONFIDENTIAL